

Message Text

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PAGE 01 JIDDA 04870 070635Z

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ACTION COME-00

INFO OCT-01 NEA-10 ISO-00 EB-07 /018 W

----- 071949

R 070606Z JUL 75

FM AMEMBASSY JIDDA

TO SECSTATE WASHDC 1794

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E.O.: 11652: N/A

TAGS: BEXP, SA, US

SUBJ: XENEL/ANACONDA JOINT VENTURE

REF : STATE 157101

1. KHALID ALI REZA CALLED ON EMBASSY AGAIN ON JULY 5 TO INFORM US THAT ANACONDA HAS DEFINITELY TERMINATED INVOLVEMENT IN PROJECT. HE IS MEETING WITH ANACONDA REP IN LONDON NEXT WEEK TO WIND UP AFFAIRS. AFTER FULMINATING AT LENGTH ABOUT THE PERFDY OF ANACONDA, THE SERIOUS INCONVENIENCE DONE TO XENEL, AND THE INJURY THE AFFAIR WILL DO TO THE U.S. BUSINESS IMAGE IN SAUDI ARABIA, HE FINALLY RELAXED A BIT AND CONCEDED THAT ANOTHER U.S. COMPANY IS HIGH ON THE LIST OF THE NEW POSSIBLE FOREIGN PARTNERS WITH WHICH HE IS ALREADY IN CONTACT.

2. COMMENT: ALTHOUGH EMBASSY HAS NOT ATTEMPTED TO ANALYZE INDEPENDENTLY BASIC FEASIBILITY OF PROJECT, IT IS OUR FEELING THAT FUNDAMENTAL PROBLEM ULTIMATELY WAS NOT ONE OF FEASIBILITY AS SUCH, BUT ONE OF DESIRE OF BOTH REPEAT PARTIES TO IMPLEMENT PROJECT ON THE CHEAP, WITH UNREALISTIC RELIANCE ON LOANS IN THE FINANCIAL STRUCTURING. ALI REZA'S MOST LEGITIMATE COMPLAINT IS UNDOUBTEDLY THAT ANACONDA IS PULLING OUT OF A DEAL TO WHICH THEY HAD EARLIER AGREED, WITHOUT ANY CHANGES IN THE CONDITIONS OR REALITIES OF THE VENTURE. WE STRONGLY SUSPECT THAT ANACONDA'S REBUTTAL TO THIS WOULD BE THAT THEY HAD SIGNED ONLY ON THE BASIS OF VERBAL ASSURANCES THAT FURTHER FINANCIAL COMMITMENTS

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(I.E. LOAN GUARANTEES) WOULD NOT REALLY BE REQUIRED.

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